



The FBI is circulating this photo of fugitive Martin Frankel, the con-man with connections in very high places.

In contrast, Connecticut has one U.S. District Court and one U.S. Attorney's office, in New Haven, with a vastly smaller staff, possessing far less expertise in the intricacies of financial fraud.

Frankel's presence in the midst of this den of world-class financial manipulators, and the tantalizing descriptions of his state-of-the-art, illegal trading floor at 889 Lake Avenue, raises the obvious question: How big was Frankel's operation? Was he funneling the money he looted from a string of Southern insurance companies and other patsies into the big league banks and hedge funds that routinely place bets on a 100:1 leverage? While no one has so far stepped forward to firmly establish any links between Frankel's boiler-room and his more prestigious neighbors at LTCM, the Steinhardt Fund, etc., Frankel's established links to some New York and Washington political and financial heavy-weights certainly raise the question. And some of the biggest banks and insurance companies in the world show up repeatedly in the financial records of his far more modest string of front companies.

Meet the real Marty Frankel

A high-school dropout from Toledo, Ohio, Frankel was thrown out of his first job as a securities trader because he was too timid and incompetent to make the simplest of trades. He soon branched off on his own, and set up the "Frankel Fund" out of a bedroom in his parents' house. His clients soon realized that he was stealing their money. The SEC ultimately stepped in, closed down his fund, fined him \$1 million, and banned him forever from legally trading in securities.

Frankel founded another unregistered securities operation, called the Creative Partners Fund, and after operating for several years in Ohio, Florida, and California, he turned up in Greenwich in the early 1990s. Frankel's several rented mansions (one of his front companies, Sundew International, Ltd., bought the Lake Avenue property in 1998) were noted

for the comings and goings of scantily-clad ladies, and for a heavy presence of private security guards and elaborate detection systems. They had more the appearance of high-class brothels, than the headquarters of a financial wizard and master fraudster.

The insurance companies: victims or accomplices?

In keeping with his off-the-wall beliefs in astrology and magic, Frankel named one of his first illegal funds after the Nordic god of thunder, Thunor. Through his Thunor Trust, based in Franklin, Tennessee, Frankel apparently gained control of the Franklin American Corp., which functioned as the holding company for various insurance companies, including the Franklin American Life Insurance Co. and the International Financial Services Life Insurance Co. Scattered throughout the country in Colorado, Mississippi, Virginia, and Alabama, these firms were officially involved in selling funeral insurance—hardly a credible source for the \$3 billion which Frankel is accused of stealing.

The beginning of the end for Frankel appears to have been triggered by an inquiry from the Mississippi state insurance commission, which ordered Frankel to place several million dollars on deposit in a reputable Mississippi bank, in order to comply with state insurance regulations. That occurred in April 1999, just prior to Frankel's disappearance.

Frankel allegedly conned Franklin American Corp. Chairman John Alvis Hackney, who claims to be a victim, into turning over the assets of these companies in order for Frankel to invest them. But filings at the SEC, and other documents, reveal that the control of the Thunor Trust went beyond Frankel. According to the SEC filings, Thunor Trust holds 83% of the shares of Franklin American Corp. The Trust's sole beneficiary is John Alvis Hackney, the above-mentioned "victim." Its official address is in Nashville suburb of Brentwood, Tennessee, in the offices of the law firm Davis and Jordan. According to their listing in *Martindale Hubble*, the firm's major clients are Franklin American Corp. and its related insurance companies, as well as First Tennessee Bank, where Franklin American did business. The firm's partners failed to return *EIR*'s calls.

According to government documents, unsealed in Federal court in Connecticut, Federal authorities probing the Frankel schemes froze a bank account of the Chicago law firm Gomburg, Kane & Fischer which contained \$600,000, deposited by Frankel for legal fees. The firm's major clients include Morgan Stanley Dean Witter, and Prudential Securities. Frankel had extensive dealings with the latter.

A cut-out for the big reinsurance firms?

What is not being widely reported, is that much larger insurance companies—the giants of the industry—extended hundreds of millions of dollars to Frankel's companies, in the form of reinsurance and other financial instruments.

One of these companies was the London Life Reinsurance

Co. Its office in Pennsylvania extended \$100 million to the Frankel-linked International Financial Services Life Insurance Co., in a reinsurance agreement. When called by *EIR*, a nervous company spokesman refused to give any details of this transaction. Perhaps with good reason. The London Reinsurance Co. is a subsidiary of the Power Corporation of Canada, one of the largest corporate empires in Canada controlled by the Desmarais family, who are at the center of the British-American-Commonwealth financier oligarchy.

Paul Desmarais, the company's chairman, is a member of David Rockefeller's Trilateral Commission, and wields enormous political clout over the Canadian government, regardless of which party is in power. More interesting is the fact that Canada's Maurice Strong, a top international environmentalist and crony of Prince Philip and Vice President Al Gore, was at one time the president and chief executive officer of Power Corp. World Bank President James Wolfensohn got his first job through Strong and Power Corp. (he appointed Strong as his adviser as soon as he took over the World Bank).

Another company involved with Frankel was Capital Re, which admitted to a loss of \$67 million in the Frankel blowout. Based in New York City, the company is in fact a joint venture of five of the largest insurance companies in the United States, including Aetna Life and Casualty Co. Shortly after the announcement of the loss, Capital Re entered the final phases of negotiations with the Bermuda-based ACE Ltd., which was to buy them out, fueling speculation in the insurance industry that their losses had been much greater than the admitted \$67 million.

Another company, the Virginia-based Settlers Life Insurance Co., was forced into receivership, because it entered into a \$44 million reinsurance contract with Franklin American Corp. The \$44 million disappeared when the latter collapsed.

Kroll Associates: Wall Street's private detectives

Frankel was vetted into the U.S. political and financial establishment by Kroll Associates, the Wall Street detective agency, founded by the Anti-Defamation League (ADL)-sponsored Jules Kroll. Kroll Associates maintains a star-studded roster of former CIA, FBI, IRS, Scotland Yard, and Israeli Mossad officials; it maintains a worldwide network of offices and affiliates, and, for the past several years, has been largely a subsidiary of one of the world's leading insurance companies, American International Group, run by Maurice "Hank" Greenberg. Several years ago, Greenberg and AIG bailed out Lloyds of London, when the City of London insurance giant faced severe losses and a looming British government audit.

One of Kroll's leading "associates," Thomas Corbally, who managed Kroll's London office for years, became one of Frankel's biggest boosters, introducing him to such figures as former Bush administration Ambassador to Moscow Rob-

ert Strauss, when Frankel sought to set up an offshore charitable foundation—to launder even larger volumes of cash.

Now 78 years old, Corbally has been operating between London and New York for the last 40 years. According to FBI documents and sources on both sides of the Atlantic, he played a key role in the famous "Profumo Affair" of 1963, which brought down the government of British Prime Minister Harold Macmillan, who at the time was collaborating with President Kennedy. One of his associates in that affair was William Mellon Hitchcock, a scion of the famous Mellon banking family, who personally financed Timothy Leary's LSD drug revolution.

When questioned by the FBI in 1963 about his role in the Profumo Affair, which involved a call-girl ring, a Soviet military spy, and a slew of top British government ministers, Corbally was represented by New York mob lawyer Roy Cohn. When Corbally picked up Frankel, he steered the nerdy con man to Tom Bolan, the law partner of the late Cohn, and a powerhouse in the right wing of the New York Republican Party as head of the East Side Conservative Club. It was Bolan, personally, who flew down to Mississippi, in an unsuccessful effort to get the state insurance commissioner to back down from his demand that Frankel cough up millions of dollars for deposit in Mississippi banks.

According to the story being put forward in the press, Corbally helped to create the St. Francis of Assisi Foundation, to enable Frankel to contribute millions of dollars to Catholic charities. In fact, the objective of the foundation was, at minimum, to serve as a new vehicle for Frankel's takeover of a string of larger insurance companies, with greater cash flows and assets. The foundation was registered in the British Virgin Islands, which is known more as a safe haven for money launderers than as a base of operations for Catholic religious charities. Some news reports claimed that \$1.9 billion was on deposit in the foundation's offshore accounts, and that as much as a billion dollars of the funds came from Vatican-linked charities. None of these claims have been substantiated by *EIR*.

Nonetheless, the cast of characters associated with the foundation, courtesy of Corbally, is indeed impressive. According to information so far released, it included:

Thomas Bolan, Republican Party right-wing kingmaker of New York, former law partner of mob mouthpiece Roy Cohn. Among the more recent crop of politicians who owe their careers to Bolan and his East Side Conservative Club crowd, are former Sen. Alfonse D'Amato (R-N.Y.) and New York Mayor Giuliani.

Robert Strauss, senior partner in the Washington law firm Akin, Gump, Strauss, Hauer & Feld. A Texan and former Democratic National Committee chairman, Strauss was President George Bush's Ambassador to Moscow. Strauss's law firm was at the center Frankel's operations, handling attempts by the St. Francis of Assisi Foundation to purchase insurance companies.

Father Peter Jacobs. A Catholic priest who has been

suspended from giving the sacraments by the Church hierarchy, Jacob's circle of close friends and acquaintances included the late Roy Cohn. Father Jacobs helped arrange the marriage of Edgar Bronfman, the chairman of Seagram's Liquor and an ADL official, to his Catholic wife. Jacobs provided Frankel with the original introductions into the Vatican, which were vital to the launching of the St. Francis of Assisi scheme.

Victor Moses. According to court papers filed in Connecticut, as part of the Frankel case, Federal authorities froze a \$750,000 bank account in Seafirst Bank, in Seattle, held in the name Victor Moses. Moses is a senior vice president of GE Financial Assurance Co., an arm of GE Capital, the investment arm of General Electric Corp. GE Capital is one of the largest players in global financial speculation and accounts for 40% of GE profits. When questioned by *EIR*, a spokesman for GE Financial Assurance emphatically denied that GE has "anything to do with Martin Frankel and any of his companies." But, the same official confirmed that Moses had been asked to become a director of the St. Francis of Assisi Foundation. Like all the others, Moses is said to have declined. The GE spokesman had no comment on the source of the \$750,000 frozen in the bank account, and Moses was not available for comment.

Thomas F. Quinn, convicted stock fraudster. According to reports in the *Wall Street Journal*, Quinn attended meetings along with Corbally and Frankel that launched the St. Francis of Assisi Foundation. At the end of the 1980s, Quinn was convicted in a Geneva court and sentenced to 12 years in prison, for a \$500 million stock fraud. After serving a fraction of his sentence, Quinn returned to the United States to take up residence in Greenwich, not far from the Frankel mansion. By 1995, he was in contact with one Philip Abramo, a stock promoter linked to one of the leading New Jersey crime families. Quinn was purportedly bringing "European investors" into various Frankel schemes.

It was this crew which tried to get the Vatican bank, and top officials of the Holy See, to back the foundation.

Don't forget the banks

According to court documents, Frankel transferred large sums of money to and from two Swiss banks. One was United Bank of Switzerland (UBS). UBS is one of the biggest players in the derivatives market, and was one of the banks called in by the New York Fed to bail out LTCM last October.

The other bank was Banque SCS Alliance, a small Geneva bank where Frankel is said to have had accounts under his name and in the name "Bloomfield Trust." Banque SCS Alliance's chairman, Jean-Franklin Woodli, a Geneva lawyer, was a business partner of Pierre Hafner, a Geneva financier who spent nine months in a Swiss jail, accused of financial fraud. Hafner's other business partner was the Geneva banker Edgar de Picciotto, owner of Union Bancaire Privée (UBP). UBP has been closely linked to George Soros, and was used

by German real estate tycoon/swindler Jürgen Schneider in his attempt to steel 200 million deutschemarks just before his real estate empire collapsed. The "Bloomfield Trust" account at UBP appears to have been a central repository of funds that Frankel siphoned from the burial insurance companies and his other cons.

The Frankel saga is far from over. In June, a Connecticut attorney briefly went public, admitting that he has been retained by Frankel to negotiate with the Federal government. The U.S. Attorney for Connecticut has recused himself from the Frankel probe, because, as a former employee of Kroll Associates, he has a conflict of interest. Another giant private security firm, Defense Strategies, Inc./Fairfax Group, run by former top Justice Department and FBI officials, including a former aide to Giuliani, has also been named as being linked to the "Frankel Affair."

And, the unravelling of the Frankel operation did occur at the same time that the giant Tiger Fund hedge fund was also going through a near-death experience, as the result of being caught in the "yen carry trade." So far, there are no indications of any links between the Tiger Fund fiasco, multibillion-dollar losses by Soros and other hedge funds, and Frankel's sudden flight. But, with the cast of thousands who have already emerged as sponsors, cohorts, and "dupes" of Marty Frankel, nothing can be ruled out.

DO YOU KNOW

- that the American Revolution was fought *against* British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

READ

The Political Economy of the American Revolution

edited by Nancy Spannaus and Christopher White

Order from:

Ben Franklin Booksellers
P.O. Box 1707
Leesburg, Va 20177
Toll-Free: 1-800-453-4108

\$15.00 plus
\$4 shipping and handling

We accept MasterCard, VISA, American Express and Discover.

